

VBH BOT FYI Finance

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Home sales sink in July  
By CHRIS FREEMAN - cfreeman@nwherald.com with wire reports  
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With the last of the first-time homebuyer tax credit having worked through the housing industry, July's housing report showed unusual results for McHenry County.

Home sales in McHenry County fell 19.8 percent in July from July 2009, to 210 homes sold from 262 in July 2009, the Illinois Association of Realtors reported Tuesday. That is the first decline in year-over-year sales after 10 consecutive months of gains for McHenry County.

"This is completely an effect of the homebuyer tax credit," McHenry County Association of Realtors Chief Executive Office Jim Haisler said.

"The credit was great, but there was a downside, and that's that buyers were encouraged to do it early on, and they made their purchases," Haisler said. "Now people might be looking for the next reason to buy and there hasn't been a great reason for them to have to get off the fence."

Unlike home sales, though, the median home price in McHenry County rose 1.8 percent to \$182,000. It's among the few times in the past three years that home prices in the county have showed gains from the previous year.

"People are taking out all they can [from the market] with so many short sales and foreclosures that they can't go any lower, so prices are, from that perspective, stabilizing," Haisler said. "With the low [mortgage] rates and a ton of homes available, it's a great opportunity. People are holding out now and they're just not sure when to go in the market."

The opposite scenario was true in Kane County, though. Sales rose 1.3 percent in July to 400 sales from 395 in July 2009 and the median home price fell 18.1 percent to \$171,000.

Statewide, home sales fell 29.7 percent from a year earlier, while the median home price dipped 4.3 percent to \$160,000, and nationally, the National Association of Realtors said sales of previously occupied homes plunged last month to the lowest level in 15 years, despite the lowest mortgage rates in decades and bargain prices in many areas.

July's sales fell by more than 27 percent to a seasonally adjusted annual rate of 3.83 million. It was the largest monthly drop on records dating back to 1968, and sharp declines were recorded in all regions of the country.

The plunge in home sales also magnified fears about the broader economy.

"The housing market is undermining the already faltering wider economic recovery," said Paul Dales, U.S. economist with Capital Economics. "With the increasingly inevitable double-dip in prices yet to come, things could yet get a lot worse."

Sales were particularly weak among homes in the lower- to mid-priced ranges. For example, in the Midwest, homes priced between \$100,000 and \$250,000 tumbled nearly 47 percent.

The weakness follows a strong spring, when the homebuyer tax credits sparked sales. As sales have slowed, the inventory of unsold homes on the market grew to nearly 4 million in July. That's a 12.5 month supply at the current sales pace, the highest level in more than a decade. It compares with a healthy level of about six months.

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One reason the market is hurting is that buyers and sellers are in a standoff over prices. Many sellers are reluctant to lower their prices. And buyers are hesitating because they think home prices haven't bottomed out.

Laurie Salaman has been trying to sell her home in New York City for a year so she can move to the suburbs. She's had no offers, even after cutting her listing price on the three-bedroom Bronx home from \$475,000 to \$449,900.

She notes that she has upgraded the kitchen and bathrooms, refinished the basement and put in new decks and patios. Her goal is to take about \$100,000 from the sale and put it toward the purchase of the new house. She said she wouldn't lower her price any further.

"That's my bottom price," said Salaman, 55. "If I don't get that price, then I will hold off until the market gets a little better," she said.

The housing market also is being hampered by the weakening economic recovery. Unemployment remains stuck at 9.5 percent and many potential buyers worry they might not have a job to pay the mortgage.

Prices have fallen in part because foreclosures are running about 10 times higher than before the housing bust. Although the average rate for a 30-year fixed mortgage has sunk to 4.42 percent, many people can't qualify because banks have tightened their lending standards.